

Message Text

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ORIGIN EB-11

INFO OCT-01 EA-11 ADP-00 INR-10 RSC-01 L-03 SS-15 /052 R

DRAFTED BY EB/ ISM: WPOLIK: RDM

6/22/73 EXT. 21705

APPROVED BY EB/ ORF: JLKATZ

EB/ ISM: JCCURRAN

EB/ ICD: JBKYLE

EA/ J: WPIEZ

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R 222340 Z JUN 73

FM SECSTATE WASHDC

TO AMEMBASSY TOKYO

C O N F I D E N T I A L STATE 123135

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E. O. 11652: GDS

TAGS: EIND, ETRD, US, JA

SUBJECT: STEEL VRA -- CONSULTATION WITH JAPANESE

REF: TOKYO 7510

1. STEEL VRA CONSULTATION WITH JAPANESE INDUSTRY HELD DEPT
JUNE 19, WITH KATZ HEADING US SIDE AND YAMADA LEADING
JAPANESE INDUSTRY DEL. HIGHLIGHTS FOLLOW. (ALL FIGURES
METRIC TONS.)

2. VRA 1972 PERFORMANCE: JAPANESE DATA SHOWED THEY WITHIN
VRA AGGREGATE CEILING OF 5.895 MILLION TONS BY 60,000 TONS,
WHILE US DATA SHOW THEY EXCEEDED CEILING BY 72,000 TONS.
KATZ STRESSED IMPORTANCE OF STAYING WITHIN CEILING, NOTING
THAT EVEN RELATIVELY SMALL OVERSHIPMENT FURTHER AGGRA-
VATES ALREADY SERIOUS WEST COAST PROBLEM, WHERE JAPANESE
OVERSHIPPED BY 108,000 TONS IN 1973. VARIANCES IN DATA
ALSO RAISE POSSIBILITY OF TRANS- SHIPMENTS TO US VIA THIRD
COUNTRIES. YAMADA TOOK NOTE OF US CONCERN RE OVERSHIPMENTS;
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AND PROMISED DISCUSS DIFFERENCES JAPANESE- US DATA WITH
GOJ FINANCE MINISTRY.

3. COLD FINISHED STEEL BARS (CFSB) EXPORTS: YAMADA CONCEDED SUBSTANTIAL OVERSHIPMENTS CFSB (WHICH EXCEEDED 47,123 TON VRA CEILING BY 27,287 TONS USING JAPANESE DATA, AND 33,088 TONS USING US DATA); SAID JAPANESE HAD " NO ALIBI."

HE NOTED THAT 51,600 TONS OF 74,400 TONS CFSB SHIPPED (JAPANESE DATA) WERE BY VRA- PARTICIPATING COMPANIES, AND 22,800 TONS BY NON- INTEGRATED OUTSIDERS. YAMADA FELT THAT STRONG JAPANESE DOMESTIC CFSB DEMAND WOULD RESULT IN REDUCED 1973 EXPORTS. HE SAID THAT UNFORTUNATELY JAPANESE UNABLE DO ANYTHING RE 1972 OVERSHIPMENTS, BUT WOULD TRY HOLD 1973 EXPORTS BELOW 48,301 TON 1973 CFSB CEILING.

4. WEST COAST SHIPMENTS: NOTING 1972 OVERSHIPMENTS TO WEST COAST (WC), KATZ TERMED WC PERHAPS MOST SERIOUS VRA PROBLEM. YAMADA SAID STRONG JAPANESE DOMESTIC DEMAND AND INCREASED EXPORT PRICES MAY RESULT IN OVERALL STEEL EXPORTS TO US 8-10 PERCENT BELOW 6.042 MILLION VRA CEILING IN 1973. DUE COMPETITIVE FACTORS ESPECIALLY FREIGHT COSTS, WOULD BE EVEN GREATER PRESSURES EXPORT TO WC IN 1973. THUS, THERE POSSIBILITY THAT SHIPMENTS TO WC MAY BE OVER ONE- THIRD TOTAL ACTUAL SHIPMENTS TO US (VRA UNDERTAKING), BUT YAMADA FELT SHIPMENTS TO WC WOULD BE WITHIN ONE- THIRD OF VRA CEILING FIGURE. HE SAID HE HAD DISCUSSED THIS POSSIBILITY RECENTLY WITH KAISER STEEL (LEADING WC PRODUCER) AND HAD RECEIVED INDICATIONS KAISER WOULD NOT MAKE ISSUE OF SHIPMENTS PROVIDING THEY WITHIN ONE- THIRD OF VRA CEILING. HOWEVER, ACCORDING YAMADA, KAISER PLANNED CONTINUE ITS CAMPAIGN CALLING ATTENTION TO HIGH LEVEL WC STEEL IMPORTS, AND WOULD SEEK 30 PERCENT WC LIMITATION (VICE PRESENT ONE- THIRD) IN ANY VRA RENEWAL. YAMADA ALSO NOTED THAT IN ABSENCE OF SUBSTANTIAL IMPORTS THERE LIKELY BE SEVERE WC STEEL SHORTAGE THIS YEAR, DUE CUTBACKS US STEEL AND BETHLEHEM INGOT AND SEMI SHIPMENTS FROM THEIR EASTERN PLANTS TO WC PLANTS. KATZ EXPRESSED CONCERN OVER WC EXPORTS, NOTING PROBLEMS CREATED WHEN CLEAR COMMITMENTS, SUCH AS WC UNDERTAKING, NOT MET. YAMADA SAID JISEA HAS REQUESTED ITS MEMBERS REDUCE WC SHIPMENTS DURING

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SECOND HALF CY 1973.

5. TOOL STEEL EXPORTS: IN DECEMBER 1972 CONSULTATIONS ;S AGREED TO 1972 TOOL STEEL CEILING OF 1,810 TONS (US DEFINITION TOOL STEEL), WITH 1973 CEILING OF 1,855 TONS. AT THAT TIME YAMADA ESTIMATED 1972 EXPORTS WOULD REACH 1,950 TONS, EXCEEDING CEILING BY 140 TONS. US PROPOSED

REVISING 1973 CEILING DOWNWARD BY 140, TO 1,715 TONS.
YAMADA AGREED, SUBJECT OF CONCURRENCE MEMBERS. ON JUNE 19
YAMADA INFORMED US 1972 TOOL STEEL EXPORTS HAD EXCEEDED
CEILING BY 241 TONS, AND THAT MEMBERS HAD THEREFORE AGREED
REDUCE 1973 CEILING BY FURTHER 101 TONS, TO 1,614 TONS.

6. COLD FINISHED STEELBARS(CFSB) CLASSIFICATION (REFTEL):
CONFUSION REIGNED SUPREME ON THIS ISSUE. YAMADA AND HIURA
TOLD US EXPORT CLASSIFICATION CHANGE HAD TAKEN PLACE, AND
PROVIDED LIST NEW CLASSIFICATION NUMBERS, BUT IN REPLY
TO QUESTIONS SAID CLASSIFICATION CHANGE HAD NOTHING TO DO
WITH CFSB, AND APPLIED ONLY TO WIRE PRODUCTS. DEPARTMENT
POUCHING FULL PARTICULARS, AND WILL REQUEST EMBASSY CLEAR
AWAY SMOG SURROUNDING ISSUE.

7. TOOL STEEL VRA UNDERTAKING: JAPANESE ALSO RAISED
DIFFERENCE IN WORDING JAPANESE AND EC VRA TOOL STEEL COMMIT-
MENT (JAPANESE COMMITMENT COVERS ALL TOOL STEEL, WHILE EC
LETTER REFERS ONLY TO HIGH SPEED TOOL STEEL), IN BELIEF
EC MAY HAVE GOTTEN BETTER TOOL STEEL DEAL UNDER VRA. WHEN
JAPANESE RAISED THIS EARLIER THROUGH STITT, DEPARTMENT
CHECK INDICATED THAT EC WORDING REFLECTED EUROPEAN INABI-
LITY MONITOR EXPORTS TOOL STEEL OTHER THAN HIGH SPEED (DUE
THEIR CLASSIFICATION SYSTEM). SINCE TOOL STEEL FALLS INTO
EITHER ALLOY TOOL OR HIGH SPEED TOOL CATEGORY, FOR
PURPOSES MONITORING EC VRA, USG PLACES EC TOOL STEEL OTHER
THAN HIGH SPEED TOOL INTO ALLOY STEEL CATEGORY AND
CHARGES IT AGAINST ALLOY STEEL SUB- CEILING. KATZ ALSO
NOTED THAT ALLOY TOOL, EVEN AS PART OF ALLOY CATEGORY,
STILL COVERED UNDER GENERAL PRODUCT MIX UNDERTAKING.
JAPANESE REQUESTED PRODUCT MIX ANALYSIS OF EC ALLOY TOOL
EXPORTS, WHICH WE WILL PROVIDE.

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8. FUTURE CONSULTATIONS: NO DATE SET FOR NEXT CONSULTA-
TION. KATZ PROPOSED NEXT CONSULTATION TAKE PLACE LATER
THIS YEAR, ASSUMING YAMADA TRIP TO U. S. ON OTHER BUSINESS.
YAMADA AGREED. RUSH

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*** Current Handling Restrictions *** STADIS

*** Current Classification *** CONFIDENTIAL

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 22 JUN 1973
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: collinp0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973STATE123135
Document Source: CORE
Document Unique ID: 00
Drafter: WPOLIK: RDM
Enclosure: n/a
Executive Order: GS
Errors: n/a
Film Number: n/a
From: SECSTATE WASHDC
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730630/aaaajqwr.tel
Line Count: 164
Locator: TEXT ON-LINE
Office: ORIGIN EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: STADIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: STADIS
Reference: 73 TOKYO 7510
Review Action: RELEASED, APPROVED
Review Authority: collinp0
Review Comment: n/a
Review Content Flags:
Review Date: 07 NOV 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <07-Nov-2001 by elyme>; APPROVED <25 FEB 2002 by collinp0>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> srp 980227
Subject: STEEL VRA -- CONSULTATION WITH JAPANESE
TAGS: EIND, ETRD, JA, US
To: TOKYO
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005